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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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OMB APPROVAL
OMB Number:
Expires April 30, 2013
Estimated average burden hours per response .... 12.00

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8-67961

**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/11 AND ENDING 12/31/11  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: FELS POINT RESEARCH, LLC	OFFICIAL USE ONLY	
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)	FIRM I.D.NO.	
600 WYNDHURST AVENUE, SUITE 300-C		
BALTIMORE (City)	MD (State)	21210 (Zip Code)
NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT		
DAVID PRINGLE (410) 464-3111		
(Area Code - Telephone Number)		

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

PETERSON SULLIVAN LLP

(Name - if individual, state last, first, middle name)

601 UNION ST, STE 2300 SEATTLE WA 98101

(Address) (City) (State) (Zip Code)

**CHECK ONE:**

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

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**FEB 27 2012**

**Washington, DC  
110**

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17 a-5(e)(2)

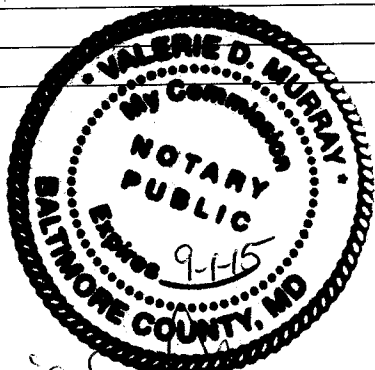
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SEC 1410 (06.02)

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### OATH OR AFFIRMATION

I, DAVID PRINGLE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FELLS POINT RESEARCH, LLC as of DECEMBER 31, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Valerie D. Murray  
Notary Public

[Signature]  
Signature

CEO & PRINCIPAL  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition. (CASH FLOWS)
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors. (NOT APPLICABLE)
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3. (NOT APPLICABLE)
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3. (NOT APPLICABLE)
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.\*
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation. (NOT APPLICABLE)
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report. (See separately bound report.)
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit. (NOT APPLICABLE)

\* RESERVE REQUIREMENT IS NOT APPLICABLE

\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17 a-5(e)(3).

X (O) INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3.

**CERTIFIED PUBLIC ACCOUNTANTS**

601 UNION STREET, SUITE 2300

SEATTLE, WASHINGTON 98101

**INDEPENDENT AUDITORS' REPORT**

To the Member  
Fells Point Research, LLC  
Baltimore, Maryland

We have audited the accompanying statement of financial condition of Fells Point Research, LLC ("the Company") as of December 31, 2011, and the related statements of income (loss), changes in member's equity, and cash flows for the year then ended that are being filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in Schedules I and II required by Rule 17a-5 under the Securities Exchange Act of 1934 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Peterson Sullivan LLP*  
February 22, 2012

**FELLS POINT RESEARCH, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2011**

**ASSETS**

Cash	\$ 22,689
Accounts receivable	10,000
Prepaid expenses	2,032
Deposits	<u>984</u>
	<u><u>\$ 35,705</u></u>

**LIABILITIES AND MEMBER'S EQUITY**

Liabilities	
Accounts payable	\$ 1,244
Member's equity	<u>34,461</u>
	<u><u>\$ 35,705</u></u>

See Notes to Financial Statements

**FELLS POINT RESEARCH, LLC**  
**STATEMENT OF INCOME (LOSS)**  
**For the Year Ended December 31, 2011**

<b>Revenues</b>	
Research/consulting fee income	\$ 86,500
<b>Expenses</b>	
Guaranteed payments	37,177
Professional fees	11,130
Office rent	8,149
Telecommunication	3,471
License and registration fees	2,699
Travel	1,803
Entertainment	1,300
Dues and subscriptions	589
Insurance	501
Office expenses	306
Office supplies	414
Education and training	275
Miscellaneous expenses	525
	<hr/>
	68,339
	<hr/>
<b>Net Income</b>	<b>\$ 18,161</b>

See Notes to Financial Statements

**FELLS POINT RESEARCH, LLC**

**STATEMENT OF CHANGES IN MEMBER'S EQUITY**

**For the Year Ended December 31, 2011**

Balance, December 31, 2010	\$ 16,300
Net Income	<u>18,161</u>
Balance, December 31, 2011	<u><u>\$ 34,461</u></u>

See Notes to Financial Statements

**FELLS POINT RESEARCH, LLC**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2011

Cash Flows from Operating Activities	
Net income	\$ 18,161
Adjustments to reconcile net income to net cash flows from operating activities	
Change in operating assets and liabilities	
Accounts receivable	(10,000)
Prepaid expenses	109
Accounts payable	(702)
	<hr/>
Net cash flows from operating activities and increase in cash	7,568
Cash, beginning of year	<hr/> 15,121
Cash, end of year	<hr/> <hr/> \$ 22,689

See Notes to Financial Statements

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 1. Organization and Significant Accounting Policies**

#### **Organization**

Fells Point Research, LLC ("the Company") became a securities broker and dealer as approved by the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA") on February 24, 2009.

The Company is a limited liability company (or "LLC"), and as an LLC, any liability to the owner is generally limited to amounts invested into it. The Company only has one Member who is involved in all of the Company's operations. The Company is scheduled to dissolve on June 20, 2037, unless terminated by the Member-owner at an earlier date.

The Company's current services include providing financial research services to institutional investors.

The Company uses certain furniture and equipment provided by its Member-owner (without charge). Any charges that could be allocated to the Company are not material.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period. Actual results could differ from the estimates that were used.

#### **Cash**

Cash includes cash in bank checking accounts.

#### **Revenue Recognition**

Revenue is generally recognized when services are provided and invoiced to the Company's customers. Payments for services are generally negotiated or may be determined by the Company's customers. All of the Company's revenue is from three customers.

#### **Accounts Receivable**

The Company uses the allowance method to recognize accounts receivable that may not be collectible. Management regularly reviews all accounts and determines which are past due and may not be collectible. Any amounts that would be written off are charged against the allowance. Management has determined no allowance is necessary. All receivables at December 31, 2011, were due from one customer.



### **Income Taxes**

The Company has a single member and is a disregarded entity for tax purposes. Items of income, loss, deduction, and credit are passed through to its Member-owner. The Company does not file federal tax returns at the Company level as it is owned by a single member.

### **Subsequent Events**

The Company has evaluated additional subsequent events through the date these financial statements were available to be issued, which was the same date as the independent auditors' report.

### **Note 2. Guaranteed Payments**

The Company pays guaranteed payments to its Member. The amount and frequency of the payments are determined at the Member's discretion. During 2011, guaranteed payments totaling \$37,177 were made to the Member.

### **Note 3. Leases**

The Company leases its office space under an operating lease that expires on September 30, 2015. Total minimum lease payments required under non-cancelable operating leases for the years ending December 31 are as follows:

2012	\$	6,546
2013		6,742
2014		6,945
2015		5,325
		<hr/>
	\$	25,558
		<hr/>

### **Note 4. Commitments, Contingencies and Guarantees**

Management of the Company believes that there are no commitments (other than the commitment described in Note 3), contingencies, or guarantees that may result in a loss or future obligations as of December 31, 2011.

## **Note 5. Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1). Accordingly, the Company is required to maintain a minimum level of net capital (as defined) of 6 2/3% of total aggregate indebtedness or \$5,000, whichever is greater. At December 31, 2011, the required minimum net capital was \$5,000. The Company had computed net capital of \$21,445 at December 31, 2011, which was in excess of the required net capital level by \$16,445. In addition, the Company is not allowed to have a ratio of aggregate indebtedness to net capital in excess of 15 to 1. At December 31, 2011, the Company's ratio of aggregate indebtedness to net capital was 0.058 to 1.

## S U P P L E M E N T A R Y   I N F O R M A T I O N

**FELLS POINT RESEARCH, LLC**

**SCHEDULE I**  
**COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1**  
**December 31, 2011**

**COMPUTATION OF NET CAPITAL**

Member's equity	\$ 34,461
Deductions	
Accounts receivable	(10,000)
Prepaid expenses	(2,032)
Deposits	(984)
Net capital, as computed	21,445
Minimum net capital	5,000
Excess net capital	<u>\$ 16,445</u>

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

Accounts payable and aggregate indebtedness	<u>\$ 1,244</u>
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**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required (6 2/3% of total aggregate indebtedness or \$5,000, whichever is greater)	<u>\$ 5,000</u>
Percentage of aggregate indebtedness to net capital	5.8%
Ratio of aggregate indebtedness to net capital	0.058 to 1

Fells Point Research, LLC is exempt from the computation of reserve requirements pursuant to Rule 15c3-3 under paragraph K(2)(i).

**FELLS POINT RESEARCH, LLC**

**SCHEDULE II  
RECONCILIATION BETWEEN THE COMPUTATION OF NET CAPITAL PER  
THE BROKER'S UNAUDITED FOCUS REPORT, PART IIA, AND THE  
AUDITED COMPUTATION OF NET CAPITAL**

**December 31, 2011**

Net capital per the broker's unaudited Focus Report, Part IIA  
and per audited financial statements

\$ 21,445

**CERTIFIED PUBLIC ACCOUNTANTS**

601 UNION STREET, SUITE 2300

SEATTLE, WASHINGTON 98101

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
REQUIRED BY SEC RULE 17a-5(g)(1) FOR A BROKER-DEALER  
CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

To the Member  
Fells Point Research, LLC  
Baltimore, Maryland

In planning and performing our audit of the financial statements of Fells Point Research, LLC ("the Company"), as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, comparisons, and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's previously-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2011, to meet the SEC's objectives.

This report is intended solely for the use of management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specific parties.

*Peterson Smith LLP*  
February 22, 2012



**FELLS POINT RESEARCH, LLC**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2011**



**FELLS POINT RESEARCH, LLC**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2011**

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**FELLS POINT RESEARCH, LLC**

**SUPPLEMENTAL REPORT  
UNDER SUBPARAGRAPH(e)(4) OF RULE 17a-5  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**DECEMBER 31, 2011**



**FELLS POINT RESEARCH, LLC**

**SUPPLEMENTAL REPORT  
UNDER SUBPARAGRAPH(e)(4) OF RULE 17a-5  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**DECEMBER 31, 2011**

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**CERTIFIED PUBLIC ACCOUNTANTS**

601 UNION STREET, SUITE 2300

SEATTLE, WASHINGTON 98101

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES RELATED TO**  
**AN ENTITY'S SIPC ASSESSMENT RECONCILIATION**

To the Member  
Fells Point Research, LLC  
Baltimore, Maryland

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessments and Payments [General Assessment Reconciliation (Form SIPC-7T)] to the Securities Investor Protection Corporation ("SIPC") for the year ended December 31, 2011, which were agreed to by Fells Point Research, LLC ("the Company") and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., SIPC, and other designated examining authorities, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. We compared the listed assessment payments in Form SIPC-7 with respective cash disbursement record entries, noting no differences.
2. We compared the amounts on the audited Form X-17A-5 for the year ended December 31, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2011, noting no differences.
3. We compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers (such as details from the Company's general ledger and vendor invoices), noting no differences.

4. We proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers (such as details from the Company's general ledger) supporting the adjustments, noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Peter S. M. LLP*  
February 22, 2012

**FELLS POINT RESEARCH, LLC**

**SCHEDULE OF SIPC ASSESSMENTS AND PAYMENTS (FORM SIPC-7)**

**For the Year Ended December 31, 2011**

Total assessment for the year ended December 31, 2011	\$ 216
Payment made with SIPC-6 on July 18, 2011	<u>(129)</u>
Amount due with Form SIPC-7	<u><u>\$ 87</u></u>